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To the Proprietors of the Belfast Magazine. 2

ON THE DEPRECIATION OF CURRENCY.

GENTLEMEN,

ENCOURAGED by the candid and manly invitation you have given in your number for September, to those, who, holding different sentiments in politics from yourselves, have found a difficulty of introducing them to the public, I take the liberty of requesting you will devote a few of your valuable columns to the observations I have been induced to make from a perusal of your sentiments on the progressive change in the circulating medium of this country; and I feel that I am included in this invitation, though I shall not speak, either of the constitution, the religion, or the ministry of the day, conceiving, that whatever embraces so important a consideration as the dependence of our commercial character, on the honour and fidelity with which the national banks discharge their relative duties, is a matter ranking high in a political view of the present times, the very existence of national independence being so identified in the operation and effect of mercantile agency, that the terms *political* and *commercial* are almost become synonymous.

I have read, with no small concern, that part of the "Commercial Report" which relates to the present state of our currency; but relying on the progressive developement of the real cause of the scarcity of guineas, and anticipating the result which now appears to be actually produced, I was unwilling to trespass on your pages; anxious, however, that the character and influence of your work should be as extended as its circulation, I beg to apologize for troubling you with so unwelcome a communication, as disapprobation at all times must be.

In your Commercial Report for August, you have given, what in my mind is so forcible, so self-evident a refutation of the doctrine of depreciation, that I had hoped ere this it would have been noticed by some abler pen.

You say, "the course of exchange between the continent of Europe and Great Britain, has been at the rate of

5 per cent to the disadvantage of the latter. The merchants who had exported articles to the continent felt this inconvenience, and this unfavourable exchange was still further aggravated by the bills drawn on account of the Austrian subsidy, which, in this instance, subjected either the Austrian or British Government to a defalcation of $\frac{1}{4}$ th of the sum granted. Guineas, for a time, were eagerly bought up by the Jews and others in the commercial towns in England, at a premium, and it is said that 20,000 guineas were seized at the Custom-house, in an attempt to send them to the continent for *commercial* purposes;" and then follows this most curious reasoning, this extraordinary conclusion, that "from *this circumstance* we may clearly perceive, that there is, in consequence of the Bank restriction, a real depreciation of Bank paper, whenever it comes in competition with specie." Is then this depreciation of Bank paper, (which to say the least of it, charges the establishment with some degree of mismanagement or fraud) a consequence of the Austrian subsidy, or any way resulting from an increase of speculative enterprize. In a word, what has this five-and twenty per cent history to do with Bank paper, or what does it mean; to put it in other words, do you not intend to say, that, in consequence of an existing exchange of twenty-five per cent against England, for the reasons assigned, that merchants had recourse to gold, not as *money*, but bullion, which they could purchase cheaper than bills of Exchange, to answer continental demands; that the Jews bought them up as they would bad shillings, old plate, or any other commodity, at the lowest rate they could, not paying and receiving them as a medium for the convenience of trade, but to sell again to others for "*commercial purposes*". If this is not the matter of the above observations, I have sadly misconceived your meaning. You proceed to say, that "notwithstanding, a thorough conviction of this depreciation, there appears no cause to alter the opinion formerly expressed in these reports, that, for the purposes of *internal* trade, Bank notes answer

equally well with specie;" let me ask, of what use are guineas, or any species of coin, *but* for the purposes of *internal* trade and accommodation, and not as an article of traffic, to be exported as our linens or provisions, and rise and fall with the demand? So soon as they become collected for the purpose of exportation, do they not lose their name, character, and intent, as money, as a circulating medium? Again, "in consequence of the demand for the Butter trade, that guineas bore a premium, at one period of this month, of three per cent, but that it has *latterly* declined to $2\frac{1}{2}$ and 2 per cent." Let us come to the point at once, and understand each other: Do you mean to say that Bank notes were depreciated in value during one part of the month to the amount of 3 per cent, and at another 2? I cannot think you will answer this with an affirmative; it would be little short of placing our boasted national solvency, our "highly-vaunted commercial prosperity" on—the *butter market*! a slippery foundation truly. Should, however, I be in error, you have afforded me one consolation, one ray of hope amidst all this unpromising gloom, namely, that as the depreciation was 1 per cent *less* at the *close* of the month, there being no retrogressive motion, who knows but that our Bank may yet recover, and I hope you will thank me for this discovery, this cheering prospect, when others that I could name are prophesying that "this evil may probably at no distant day sap the highly-vaunted commercial prosperity of Great Britain, and from the intimate connection between Government and the Bank, *endanger the safety of the country*!—dreadful alternative of the "demand for butter!" I could lay down my pen, and weep over the fate of my poor, poor country, subject to such barometrical fluctuations. What certainty have we of its prosperity? But things have rather ebbed in our favour during the month of August, by your Report, and I will endeavour to proceed, "hoping all things," for I cannot think our national prosperity is so visionary, "*Magni nominis umbra*."

In your report for September, you say, "this depreciation of bank paper is now forcing itself on the observation of the public." Is the almost total

silence among mercantile men, a proof of this? Is the neglect of this "progressive evil" by parliament, since the appointment and report of a select committee, a proof of this; again, "gold bullion about the period of the restriction on the bank not to pay in specie, in 1797, was 3*l.* 17*s.* 10½*d.* per ounce, it soon rose to 4*l.* 4*s.* 10*d.* and is now at 4*l.* 13*s.* or an advance of 20 per cent; or, in other words, gold, in competition with the present circulating medium of paper is *increased* about one-fifth in value," there is a degree of confusion here in the application of the terms, "gold" and "*gold bullion*" which should be done away, however it will not be unreasonable for me to ask, if there be no distinction between the *depreciation* of bank-paper, and the *increase* of gold-bullion in relative value, are they synonymous terms, effects of one cause, or are they not an aggregate of imaginary evil, fabricated to bring down obloquy on the banks of England and Ireland? Further, "this depreciation is in great measure occasioned by the extravagant issue of bank notes, owing to the restriction act, exonerating the bank from the obligation to pay their notes in specie, for, *if* guineas *were* in general circulation, exchange on the continent could never rise much above par," (that is, the present objectionable issues being reduced to the limits of 1797, for if the observation dont mean this, it means nothing) so far is true, admitting that there *were* guineas enough in general circulation for the purposes of trade. But pray what would be the situation of this mercantile, this buying and selling nation, when all, or even a considerable part of those guineas came to be exported, as is the present case, we should then see the extraordinary anomaly of a solvent state, without a mean of liquidation; every merchant would be compelled to become his own banker, issuing his own obligations; or, as was the case before the establishment of banks, or lending money on bills by capitalists, a merchant would be necessitated to hold his merchandize until he found a purchaser with *gold* sufficient to pay for them; and, I believe, when you consider the extent of the commercial intercourse of the present day with this, and of

the creation of paper money, you will agree with me in the impracticability of so confined a system.

I should here conclude, having already trespassed too far on your indulgence, were it possible to overlook the implication of dishonour and deception on the bank, which follows, "that to hide the increase of their issues, they diminish their discounts in the proportion of 1 to 4, previous to laying their annual accounts before Parliament, and immediately extend their issues when the account is made up." I shall only reply to this by saying, were the directors of the bank, in defiance of every feeling of honour or interest, to stoop to such a shallow artifice, they would by such conduct counteract the implied object of silencing the outcry on the high price of guineas, or, as you please to term it, the depreciation of their paper; nay, they would increase this evil, taking your position that the premium on guineas is the index by which we ascertain the state of bank note depreciation, as they would inevitably rise in value rather than decrease, in as much as they would be of greater importance, from the diminution of the circulating medium, to the amount of the contraction of discounts you have stated.

I shall not trespass further than as a "friend to fair discussion," and confiding in the "omnipotence of truth over error," I shall not do you the injustice to doubt your willingness to admit these observations into your pages.

I am, Gentlemen,

Your constant reader,

Coleraine.

CHARLES WILLIAMS.

Oct. 21st, 1809.

Notes in Reply, by the Commercial Reporter.

THE foregoing letter, dated the 21st ulto, did not reach the Reporter till the 24th, when it was too late, without materially deranging the plan of the magazine, to give insertion to it in the last number.

Previously to entering on the subject of this letter, the Commercial Reporter wishes to explain, what, to some may appear an inconsistency, in these reports. In the early numbers he advocated the simplifying of money transactions in this country,

by having all payments in one medium, and as guineas could not be procured in sufficient quantities, the more general adoption of paying in bank-notes was recommended as an evil of less magnitude, than the complicated manner of dealing partly in guineas, and partly in notes, by which the skilful computer had the advantage over those less knowing; but he never attempted to deny the actual depreciation of bank notes, when they are not payable in guineas: throughout the entire discussion, he both impliedly and expressly admitted this fact, which appeared to him, then and now incontrovertible. He has not changed his former position, in the latter considerations on the subject of depreciation. The first was a question of domestic or local policy, whether it were not better to submit, as in this quarter we could not alter the general current; now the question is taken up more broadly, as affecting the general commercial interests of the empire.

The following remarks are submitted to the public, in the shape of notes on C. W's. letter.

"Is then this depreciation of bank paper, a consequence of the Austrian subsidy, or any way resulting from an increase of speculative enterprize; or what has this twenty-five per cent history to do with bank paper?"

The state of exchange on the Continent being unfavourable to England, proves the depreciation of our paper currency, because if we had guineas in circulation, as at the beginning of the war, exchange could never be at a loss of 25 per cent to England, for guineas would be remitted and the exchange would never be more against England, than probably a little more than the cost of sending guineas to the Continent. We have not guineas, to send; our paper will not pass on the Continent, and bills drawn at Hamburgh on London, to be paid in notes, are at a loss of 25 per cent. An English guinea, *not a bank-note for that sum*, would in Hamburgh be really worth 1*l.* 5*s.* in such a course of exchange.

"Merchants had recourse to gold, not as money, but as bullion."

Gold bullion in England is worth